

**CITY OF CHARDON  
FINANCIAL MANAGEMENT AND DEBT POLICY**

Policy Number: FM - 1  
Distribution: Council, City Manager, Department Heads  
Effective: March 8, 2012  
Revised: October 11, 2018 (Section II, F – Liquidity Policy)  
February 13, 2020 (Secions II, H – Renewal & Replacement Funds)  
February 13, 2020 (Secions II, I – Income Tax Distribution)

**I. Purpose and Scope**

The City has a responsibility to its citizens to carefully account for public resources, to manage municipal finances wisely, and to plan for the provision of services. Sound financial management policies are necessary to carry out that responsibility. Managerial decisions, policies and practices directly impact a government's financial position and operations, debt burden and other key credit factors. Those decisions, policies and practices must balance the service level the citizens want and expect versus trying to meet what the investors and rating agencies want to see when evaluating the financial condition of the City.

This Financial Management and Debt Policy provides a summary of significant financial and budgetary policies required by the laws of the State of Ohio, the City Charter and its Ordinances, Generally Accepted Governmental Accounting Standards in the United States, and administrative practices. This Policy shall be approved by the Council of the City of Chardon and reviewed annually.

This policy is designed to:

1. Assist the City in providing and maintaining appropriate assets for present and future needs;
2. Provide a framework for and consistency in financial decision-making;
3. Establish parameters for the administration to use in directing financial affairs of the City;
4. Provide a financial and management framework for the future; and
5. Establish parameters / requirements for the City for entering into any economic development related ventures permitted by Ohio law in which the City lends its full faith and credit to a debt issue.

The scope of these policies may include budgeting, financial reporting, auditing, asset management, risk management, capital improvement program, debt management, general fund reserve balances and credit.

## II Financial Policies and Management

### A. Financial Planning

#### 1. Revenue and Expenditure Assumptions

- a. The City shall use historical data from the last five year period, property tax information received from the Geauga County Auditor's office, information from the State of Ohio as well as experience of the following: Mayor, Council, City Manager, Finance Director and other Department Heads.
- b. Management shall rely on the professional judgment of the department or division head as it relates to individual line item expenditures and their anticipated needs for the coming year.
- c. Changes in State and Federal law and the forecasts of outside agencies that will specifically impact individual revenue sources shall be monitored and evaluated.
- d. The Mayor, Council, City Manager, Finance Director and other Department Heads shall maintain contact with a representative sample of local businesses in order to estimate a general level of productivity for the local economy.
- e. The Mayor and City Manager, or his designee, shall maintain contact with the community's largest employers to estimate their anticipated annual level of activity.
- f. Adjust for changes in City policies and procedures intended to limit expenditure increases and manage risk.
- g. Modify expectations based on the overall experience of the following: Mayor, Council, City Manager, Finance Director and other Department Heads, especially with regard to matters of personnel, fringe benefits, insurance, and utility costs.

### B. Budgetary Compliance

#### 1. Tax Budget

- a. The City shall prepare an annual Tax Budget as required by the Ohio Revised Code and shall hold a public hearing to discuss the budget with Council and the public.
- b. The Tax Budget shall be adopted by Council on or before July 15<sup>th</sup> and shall be submitted to the County Auditor on or before July 20<sup>th</sup>.
- c. On or before September 1st, a Certificate of the County Budget Commission shall be issued to the City establishing the maximum amount the City can appropriate.

2. Capital Budget (Capital Improvement Program)
  - a. The City Manager working closely with the Finance Director and other Department Heads, and with input from Council, shall prepare a five-year rolling Capital Improvement Program (CIP) with corresponding funding identified and linked to the operating budget. The CIP will be reviewed, revised, and updated annually.
  - b. Costs of construction projects identified in the CIP shall be based on estimates of the City Engineer or similar source. The project cost estimates shall include architectural / engineering, construction, inspection, contingencies as well as inflationary increases to correspond with the anticipated construction year.
  - c. Costs of machinery, equipment and vehicles identified in the CIP shall be based on the best current prices available and shall include inflationary increases to correspond with the anticipated purchase year.
  - d. Council shall strive to adopt the CIP not later than October 31<sup>st</sup>.
3. Operating Budget
  - a. On or before October 1<sup>st</sup> Department Heads shall be provided operating budget forms for the next calendar year. The budget forms shall be completed and available for Finance Department review on or before November 1<sup>st</sup>.
  - b. During November and December the City Manager and Finance Director shall conduct a budget hearing with each Department Head to discuss the needs of the department in the coming year.
  - c. On or before December 31<sup>st</sup> the Council shall adopt a Temporary Appropriation Ordinance to set expenditure limits for the first quarter of the coming year.
  - d. Not later than January 31<sup>st</sup> the Finance Director shall complete and file with the County Auditor, a Certificate Of The Total Amount From All Sources Available For Expenditure And Balances. This document shall contain year end cash balances, year end encumbrances and updated revenue estimates.
  - e. The County Budget Commission shall issue an Amended Certificate of the County Budget Commission revising the maximum amount the City can appropriate.
  - f. If necessary, the City Manager and Finance Director may conduct additional budget meetings with Department Heads to discuss any outstanding budget issues.
  - g. The City Manager shall prepare and submit to Council the City's annual Operating Budget which reflects the City Manager's recommendations for the current year. The Operating Budget shall contain but not be limited to revenue estimates, expenditure amounts, beginning (actual) and ending (projected) fund balances, capital projects identified in the first year of the five year Capital Improvement

- Program and debt and loan information.
- h. Council shall conduct a budget hearing to provide Council and the public an opportunity to review and ask questions about the budget. If necessary, Council can make changes to the budget.
  - i. On or before March 31<sup>st</sup>, Council shall adopt the Operating Budget by passage of the Permanent Appropriation Ordinance which replaces the previously adopted Temporary Appropriation Ordinance thereby establishing expenditure levels for the year.
  - j. The City shall make intra-year revenue and expenditure adjustments to meet fiscal targets. Intra-year changes to revenue estimates shall go to the County Budget Commission for approval as they are identified, and Council shall make amended appropriations to meet changes in revenue.
  - k. Council, the City Manager and Department Heads shall be given monthly reports of revenue, expenditures and fund balances to assist in identifying the need, if any, for budgetary adjustments.

C. Long Term Financial Planning

- 1. The City Manager shall prepare a five-year forecast of revenue and expenditures for each Fund of the City to identify future issues and possible solutions. The Long-Term Financial Plan will be reviewed, revised, and updated annually.
- 2. The five-year forecast of revenue and expenditures shall be linked to the five-year Capital Improvement Program.

D. Investment Management Policies

- 1. The City shall adopt and maintain an Investment Policy which shall clearly state the purpose, investment objectives, authorized and suitable investments, maximum maturities and reporting requirements.
- 2. The City may use the services of an investment advisor to provide research and guidance on investment decisions.
- 3. At least monthly, a report on the investment portfolio and investment results shall be provided to Council and the City Manager.
- 4. Distribution of interest earned on all funds shall be detailed in the City's Investment Policy and shall be in compliance with the Ohio Revised Code.

E. Enterprise Funds Rate Parameters

- 1. The City shall conduct an annual review of water and sewer fees and charges for services and adjust periodically to allow fees and charges to increase at a rate that keeps pace with the cost of the service.

2. The City shall conduct an extensive and detailed water and sewer rate study at least once every five years to determine that rates are sufficient to meet not only the costs of operation, but the revenue needed for debt service payments and capital reserves.
3. The City shall consider enacting multiple year water and sewer rate increases sufficient to meet annual increases in the cost of operations. The goal of the policy will be to adopt annual incremental increases rather than occasional large increases that may create a financial burden. Special assessments and tap in fees will be considered an option to help pay for water and sewer projects.
4. The City shall consider establishing a rate covenant on water and sewer funds in an amount equal to at least 105% of the principal and interest requirement prior to entering into a loan agreement with the Ohio Water Development Authority or other government loan program which do not require a set aside.
5. The City shall strive to have water and sewer rate ordinances in place and adopted prior to entering into either revenue debt or OWDA related loan programs.
6. The City may issue general obligation debt and revenue debt and may enter into State revolving fund loans for its enterprise systems' needs.

F. Liquidity Policy

1. The City shall reserve and not appropriate in the primary operating funds an amount equal to 10% of the total available funds for expenditure as certified by the Geauga County Budget Commission on Certificate of Estimated Resources Amendment #1, with the following exception:
  - a. When the General Operating Reserve is fully funded (see G1), the City can reserve and not appropriate a minimum of 5% of the total available funds in the General Fund.
  - b. The difference between a 10% reserve and the actual appropriated reserve shall be earmarked to one, or a combination of, the following: infrastructure improvements, fixed asset purchases, maintenance of infrastructure, and/or maintenance of fixed assets. The difference shall not be used for typical operating expenditures.
2. For the purposes of this policy the primary operating funds of the City are the General Fund, Fire & Ambulance Operating Levy Fund, Water Operating Fund and the Sewer Operating Fund.

G. Cash Reserve Funds

1. The City shall create and maintain a General Operating Reserve Fund to help protect against the historic volatility of revenues and expenditures throughout economic cycles. The General Operating Reserve Fund shall be funded with up to 6% of the gross income tax revenue received each month until minimum funding is established. The Fund shall

maintain a minimum of three month's worth of general operating revenues.

2. The City shall create and maintain a Payroll Stabilization Fund to fund the compensation liability created by payment of accumulated sick, vacation and compensatory time at the time of termination of employment. This fund may also provide for the payment of the 27th pay period. The Payroll Stabilization Fund shall be funded with up to 1% of the gross income tax revenue received each month. The amount necessary to be maintained in the Fund for terminal payments may be determined by using a five year historical average or by determining an employee's earliest possible retirement date with projected leave balances.

#### H. Renewal & Replacement Funds

1. The City shall establish a General Capital Improvement Reserve Fund to fund capital expenditures for fixed assets and infrastructure within the governmental funds of the City. The General Capital Improvement Reserve Fund shall be funded with up to 3% of the gross income tax revenue received each month, one time revenues, transfers, surpluses at the end of each year from the excess revenues over expenditures of the General Fund, and other related revenues. This fund shall continue as long as necessary to meet the fixed asset and infrastructure needs within the governmental funds of the City. The need for the General Capital Improvement Reserve Fund shall be evaluated annually in the five-year capital improvement plan, which shall include projections of revenues, expenditures and ending balances in the General Capital Improvement Reserve Fund.
2. The City shall establish a Water Capital Improvement Reserve Fund to fund capital expenditures for fixed assets and infrastructure within the Water Department of the City. The Water Capital Improvement Reserve Fund shall be funded with user fees approved by City Council, one time revenues, tap-in fees, transfers, surpluses at the end of each year from the excess revenues over expenditures of the Water Operating Fund, and other related revenues. This fund shall continue as long as necessary to meet the fixed asset and infrastructure needs within the Water Department of the City. The need for the Water Capital Improvement Reserve Fund shall be evaluated annually in the five-year capital improvement plan, which shall include projections of revenues, expenditures and ending balances in the Water Capital Improvement Reserve Fund.
3. The City shall establish a Sewer Capital Improvement Reserve Fund to fund capital expenditures for fixed assets and infrastructure within the Sewer Department of the City. The Sewer Capital Improvement Reserve Fund shall be funded with user fees approved by City Council, one time revenues, tap-in fees, transfers, surpluses at the end of each year from the excess revenues over expenditures of the Sewer Operating Fund, and other related revenues. This fund shall continue as long as necessary to meet the fixed asset and infrastructure needs within the Sewer Department of the City. The need for the Sewer Capital Improvement Reserve Fund shall be evaluated annually in the five-year capital improvement plan, which shall include projections of revenues, expenditures and ending balances in the Sewer Capital Improvement Reserve Fund.
4. The City shall establish a Chardon Square Capital Improvement Fund to fund capital expenditures that are in line with the City's current and future Comprehensive Plan. The

Chardon Square Capital Improvement Fund shall be funded with up to 2% of the gross income tax revenue received each month and other revenues that are earmarked specifically to improving Chardon Square, as identified in the Comprehensive Plan. The set-aside of up to 2% shall continue until the goals for Chardon Square have been achieved, as identified by the current and future Comprehensive Plan. However, if none of the funds has been spent or encumbered by February 13, 2030, the Finance Director shall transfer all money in the Chardon Square Capital Improvement Fund to the General Fund.

I. Income Tax Distribution

1. The City shall by ordinance authorize the Finance Director to deposit up to 6% of gross income tax revenue into the General Operating Reserve Fund each month.
2. The City shall by ordinance authorize the Finance Director to deposit up to 1% of gross income tax revenue into the Payroll Stabilization Fund.
3. The City shall by ordinance authorize the Finance Director to deposit up to 3% of gross income tax revenue into the General Capital Improvement Reserve Fund.
4. The City shall by ordinance authorize the Finance Director to deposit up to 2% of gross income tax revenue into the General Capital Improvement Reserve Fund.
5. The City shall by ordinance authorize the Finance Director to deposit all gross income tax revenue not apportioned in 1 thru 3 above, into the General Fund.

J. Depository Bank

Every five years, in compliance with Chapter 135 of the Ohio Revised Code, the City shall bid and accept a written application from any financial institution legally eligible to be a public depository for the City. As part of the selection process additional consideration may be given to each bank that has bid on the City's notes and bonds over the preceeding five year period.

K. Interfund Cash Transfer

Transfers between funds are identified as part of the annual budget process and are necessary to provide sufficient revenue for many departments to operate and to provide the necessary revenue to make debt payments from funds established for that purpose. All transfers shall be approved by Council as part of the approval of the operating budget, and a second time by resolution when the funds are to be transferred.

L. Asset Management

The City shall maintain records of all fixed assets and infrastructure assets of the City and shall report all such assets on the City's financial statements in compliance with the Governmental Accounting Standards Board Statement Number 34.

M. Risk Management

1. The City shall maintain comprehensive insurance coverage through a private insurance carrier. Coverage shall include but not limited to real property, building contents, vehicle, police professional liability and general liability.
2. The City shall obtain on an annual basis an update of insurable values from an independent insurance professional qualified to conduct such update.
3. Due to the complexities of insurance coverages, the City may determine it necessary to contract for the services of an independent insurance advisor.

N. Financial Reporting

1. The City shall prepare its financial statements in accordance with Generally Accepted Accounting Principles. The City may contract with an accounting firm or the Auditor of State to prepare the financial statements for the City and they shall be available for public inspection as required by the Ohio Revised Code.
2. The City shall have its financial statements audited annually by the Ohio Auditor of State or an accounting firm selected by them thru a process they have established.
3. The City shall create an Audit Committee which shall have the powers and duties as prescribed by Council.

**III. Debt Policy and Management**

A. Purposes and Uses of Debt (General Obligation, Revenue and Loans)

It shall be the policy of the City that capital improvements should be paid for by those benefiting with general governmental fund revenues paying for general governmental fund expenditures and enterprise fund revenues paying for enterprise fund expenditures.

The City will consider issuing debt or entering into a loan agreement for capital improvement expenditures under the following conditions:

1. A Declaration of Intent Authorization shall be used in any internal financing of projects to be later reimbursed from debt financing;
2. All capital improvement reserve funds to the extent possible and any grant, zero interest loan or assistance programs shall be considered prior to issuing debt;
3. General Obligation debt shall be considered as the City's first choice when issuing debt;
4. Revenue debt will be considered once General Obligation debt limits are stressed and/or Ohio Water Development Authority (OWDA) loans or other loans are unavailable or expensive;

5. Enterprise fund improvements should consider OWDA loans, special assessment debt to the extent permitted by law or loans and / or bank loans;
6. Bonds issued for any single capital expenditure or a group of items shall be for no less than \$1,000,000;
7. Notes issued for any single capital expenditure or a group of items shall be for no less than \$250,000;
8. When ever possible, the City should consider using pay-as-you-go to internally finance items before entering into debt;
9. General obligation issues will be for a term of 20 years or less; and
10. Revenue issues will be for a term of 30 years or less.

B. Debt Standards and Structure

1. Term
  - a. The City shall issue General Obligation Debt for a maximum of 20 years.
  - b. The City shall issue Revenue Debt for a maximum of 30 years.
2. Repayment schedule
  - a. Equal principal and / or level debt service shall be considered.
  - b. The City shall strive to retire 50% of the debt within the first half of term of the debt issue.
  - c. Short term notes may be used until a project is completed and then the costs may be bonded when all costs are in. The City may choose to roll notes and pay the debt off using one year notes for the full 20 year authorization, provided that the short-term rates are acceptable to the City.
3. Credit enhancement
  - a. Letter of Credit: Any Letter of Credit Bank or liquidity provider should be rated A1/or its equivalent by at least two rating agencies.
  - b. Municipal Bond Insurance: The insurance company should be rated Aa by at least one of the three rating agencies; or have the highest rating available among the insurance companies available at the time.
4. Call provisions

The City shall seek to structure long term bond issues with maximum flexibility. Call

options of 7, 8 or 9 years should always be considered with respect to debt issues with maturities in excess of 20 years.

5. Issuance costs

All eligible costs of issuance may be paid from bond and / or note proceeds:

- a. Included in the par;
- b. Through premium bonds;
- c. Through capital appreciation bonds; and
- d. The City can pay for costs apart from the bond issue.

C. Bond Anticipation Notes (BANs)

During the construction period or in a period of very low short-term rates, the City may choose Bond Anticipation Notes to fund capital projects. Where funds are currently available, the City may choose to pay the Notes from current reserves for those projects under \$1,000,000. A Declaration of Intent should be passed by Council any time City funds are expended in the event the City chooses to reimburse itself with the proceeds of debt.

D. Derivatives Policy

The City shall prohibit entering into any transaction using a hedging arrangement or derivative product.

E. Refunding (Refinancing) Debt

Refinancing of existing bond issues will be considered when a 4% minimum present value savings exists at the start of discussions, and a 3% present value savings may be achieved at conclusion. Other considerations in determining whether or not to refinance an issue may include the following:

1. Inflexible structure or removal of onerous covenants;
2. Consolidating issues;
3. Extinguishing debt;
4. Combining a new issue; and
5. Freeing up debt capacity.

In the instance of a new money issue and a refinancing, the City may want to take advantage of paying the costs of issuance one time. The City will review outstanding debt on a regular basis to determine the refunding possibilities.

F. Creditworthiness Objectives

1. Credit Ratings

- a. The City seeks to pursue a AAA rating and/or maintain the highest possible credit rating consistent with the City's financing objectives and an understanding of the demands on its electorate.
- b. The City shall rate all of its long term debt.
- c. The City should consider rating all short term debt over \$1,000,000.

2. Annual Financial Disclosure Document

Beginning July 1, 2009 Securities and Exchange Commission (SEC) Rule 15c2-12 required issuers of municipal securities and other obligated entities to provide annual information and material event notices to the Municipal Securities Rulemaking Board (MSRB) only, rather than to any of the previously recognized national information repositories (NRMSIRs). These filings shall be made through the use of the MSRB's new electronic portal "EMMA," short for Electronic Municipal Market Access.

The City with the assistance of Bond Counsel shall prepare an annual disclosure document.

3. Material and/or Events Disclosure

The City shall provide or cause to be provided to the MSRB, in an electronic format and containing such identifying information as is prescribed by the MSRB and in a timely manner but not later than ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds, as specified by the Rule:

- a. Principal and interest payment delinquencies;
- b. Non-payment-related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Issuance of adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security (*i.e.*, the Bonds), or other material events affecting the tax status of the security;
- g. Modifications to rights of security holders, if material;
- h. Bond calls, if material, and tender offers;

- i. Defeasances;
- j. Release, substitution, or sale of property securing repayment of the securities, if material;
- k. Rating changes;
- l. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;
- m. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The City acknowledges that in some cases, it must make a determination whether such Specified Event is material under applicable federal securities laws in order to determine whether a filing is required. The City will work with its Continuing Disclosure Counsel and Financial Advisor to determine if events are material.

#### G. Debt Limits

1. The City shall comply with all direct and indirect debt limit requirements as defined in the Ohio Revised Code.
2. City Policies
  - a. The City shall not issue direct net-bonded debt (not self-supporting) if the total direct net-bonded debt outstanding and the amount of the new debt issue is greater than 2.0% of the City's full assessed valuation.
  - b. The City shall not have total net overall debt in an amount greater than 3.0% of City's full assessed valuation.
  - c. Prior to the issuance of any debt for enterprise (self supporting) activities, the City should determine that projected revenues are sufficient to re-pay the debt and maintain a 105% rate covenant.

#### H. Debt Administration and Process

1. The City may prepare a Request For Proposal for the following services:
  - a. Underwriter;
  - b. Placement agent;
  - c. Financial advisor; and

d. Swap advisor

2. Investment of Bond Proceeds

All bond proceeds shall be invested consistent with the City's investment policy. Investment of proceeds and records thereof will be structured to comply with the arbitrage rebate compliance requirements of federal tax code.

The City may consider investing in other Ohio local government debt issues if permitted by the City's Investment Policy. Short term issues should have the best short-term rating from any of the rating agencies. Long term issues should have a rating equivalent to an A1 or higher by Moody's or A+ from Standard & Poor's.

3. Arbitrage Rebate

The City shall follow the arbitrage rules and regulations as summarized below:

Federal tax laws generally require that the City pays to the federal government any positive arbitrage earned on proceeds of tax-exempt obligations prior to the proceeds having been spent. This is referred to as the "rebate requirement." There are a number of exceptions to the rebate requirement. One is that local governments that issue under \$5 million of tax-exempt obligations in a calendar year enjoy the "small issuer" exception: bonds, notes and other obligations (e.g. leases) issued or incurred on a tax-exempt basis in that calendar year are not subject to the rebate requirements. There are also numerous spending exceptions to the rebate requirement. In the event the City issues more than \$5 million of tax-exempt obligations in any calendar year, and the City's bond counsel advises that the City's bond or note issue or lease will not be exempt from federal tax rebate requirements, the City will retain an arbitrage rebate specialist to perform arbitrage rebate calculations. The City may choose to use its bond counsel to perform these services. Generally, rebate calculations are required to be performed every fifth year following the date tax-exempt obligations are issued until the bonds are paid in full. Failure to comply with rebate requirements may result in penalties and sanctions being imposed on the City by the federal government. In addition, if rebate payments are not made on a timely basis, the City will owe interest on the amount not timely paid.

4. Paying Agent / Escrow Agent / Registrar

The City shall when possible use a local in State firm for paying agent, escrow agent and / or registrar service related to its debt issuances. An in-State firm is defined as one that has its operations department and personnel in Ohio.

I. Methods of Issuance

The City will determine, on a case-by-case basis, whether to sell its bonds competitively, through negotiation or private placement.

1. Competitive Sale

In a competitive sale, the City's bonds shall be awarded to the bidder providing the lowest true interest cost (T.I.C.) as long as the bid adheres to the requirements set forth in the official notice of sale. With respect to Bond Anticipation Notes, the notes shall be awarded to the bidder providing the lowest net interest cost (N.I.C.).

## 2. Negotiated Sale

The City recognizes that some securities are best sold through negotiation. In its consideration of a negotiated sale, the City shall assess the following circumstances:

- a. A structure which may require a strong pre-marketing effort such as a complex transaction or a "story" bond;
- b. Size of the issue which may limit the number of potential bidders; and
- c. Market volatility is such that the City would be better served by flexibility in timing a sale in a changing interest rate environment.

## 3. Private Placement

From time to time the City may elect to privately place its debt. Such placement shall only be considered if this method is demonstrated to result in a cost savings to the City relative to other methods of debt issuance, or if current credit conditions make it appropriate not to market the debt to the general public. Aside from possible time and cost savings, the City should also determine that private placement is not detrimental to the City's rating and disclosure requirements to the tax-exempt markets.

## J. Financial Team Selection

### 1. Negotiated Sale - Senior and Co-Manager Selection

With approval of City Council, the Director of Finance, the City Manager or the Mayor shall have the right to select a Senior Manager and, if appropriate, a co-manager for a proposed negotiated sale. The criteria shall include, but not be limited to the following:

- a. The firm's ability and experience in managing complex transactions;
- b. The firm's knowledge and prior experience with the City and other Ohio debt issues;
- c. The firm's willingness to risk capital and demonstration of such risk;
- d. Quality and experience of personnel assigned to the City's engagement;
- e. Financing plan presented by the firm;
- f. The underwriting fees proposed; and
- g. The availability and accessibility of firm personnel.

2. Competitive Sale

In competitive sales the winning underwriter is the one with the lowest and best bid on the day of the sale. This is usually the True Interest Cost or T.I.C.

3. Underwriter's Compensation

The underwriter's compensation shall be determined through the RFP process. The senior manager shall submit an itemized list of expenses incurred to members of the underwriting group. Any expenses must be substantiated.

4. Evaluation of Underwriter's Performance

The City may evaluate each debt sale after its completion to assess the costs of issuance including underwriter's compensation, pricing of the debt in terms of the overall interest cost and on a maturity-by-maturity basis, flexible structure, and the distribution of debt and sales credit.

The City may require the underwriter to prepare a Pricing Memorandum. The Pricing Memorandum will compare the City's debt issue to the comparable issues in the market during the same time period. The transaction should also be compared against nationally recognized indices such as the Municipal Market Data and Delphos Scales or other appropriate measures. Following each sale, the underwriter may be required to provide a report to the City.

5. Financial Advisor

The City may select a financial advisor (or advisors) to assist in its debt issuance and debt administration processes (whether competitive or negotiated). Any selection of a financial advisor(s) may be based on, but not limited to, the following criteria:

- a. Experience in providing financial advisory services to tax-exempt issuers, especially in Ohio;
- b. Knowledge and experience in structuring and analyzing complex issues;
- c. Experience and reputation of assigned personnel;
- d. National Association of Independent Public Financial Advisor (NAIPFA) Certification;
- e. Registered by the Municipal Securities Rule Making Board and the SEC; and
- f. Fees and expenses

6. Financial Advisory Services

Financial advisory services provided to the City shall include, but shall not be limited

to the following:

- a. Evaluation of risks and opportunities associated with debt issuance;
- b. Monitoring marketing opportunities, especially for refunding opportunities;
- c. Evaluation of proposals submitted to the City by investment banking firms or banks, or others involved in finance;
- d. Structuring and pricing;
- e. Preparation of request for proposals for other financial services including but not limited to trustee and paying agent services, printing, credit facilities and remarketing agent services;
- f. Advice, assistance and preparation for presentations with rating agencies, insurance companies, and major investors; and
- g. Implementing competitive sales through the internet, and / or coordinating negotiated sales in the best interests of the Issuer.

K. Finance Team Concerns / Issues

1. Conflicts of Interest

The City expects that its consultants and advisors will provide the City with objective advice and analysis, maintain the confidentiality of City financial plans, and be free from any conflicts of interest.

2. Disclosure by Financing Team Members

Credentials will be presented by the finance team members if requested. Underwriters, bankers and municipal financial advisors should be registered with either the SEC or the Municipal Securities Rule Making Board.

3. Right of First Refusal

The City shall not enter into any financial contract or agreement that permits or grants "right of first refusal." A "right of first refusal" grants a previous contractor, or underwriter, an unfair opportunity on all future bond issues. This type of contract is unenforceable and shall not be entered into.

**IV. Review of Policies**

This policy shall be reviewed annually during the budget review and any revisions shall be approved by Council.